

What happened? Khrushchev's Briefing of White House Staff
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Khrushchev's Seven Year Plan Theses were published on 14 November

- After approval in a one-day session of the party Central Committee on 12 Nov
- The Theses are to be ~~stu~~ studied by the entire party membership in coming weeks
- Then the 21st Party Congress will convene in January to adopt the plan
- At the Congress some changes will occur but the broad outline and most of the details will be approved
- A subsequent Supreme Soviet session will give the final stamp of approval

Background

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The Plan replaces the Sixth Five Year Plan (1956-1960) which was overly ambitious

- In the fall of 1957 the former plan was scrapped and the current one called for
- Raw material stringencies had appeared in 1956 and were a major cause for reassessing
- The reorganization of industrial management was launched early in 1957 to give a boost to the economy (The industrial ministries, a sacrosanct institution ~~since~~ the Five Year Plan era began in (1928-1956), was replaced by about 100 ^{regional} ~~national~~ economic councils)
- Plan targets (rates of increase) were lowered for 1957 and again for 1958
- The new plan was to have been completed by last June but the planners couldn't get it out on time (Reasons: The complexities of any long range plan were magnified this time as the national economic councils got into the act along with Gosplan. Top officials may have disagreed over the tempo)

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1. K's SEVEN-YEAR PLAN THESES RELEASED 14 NOVEMBER

21st Party Congress to approve in January --;
Supreme Soviet later

2. BACKGROUND

6th FYP scrapped Fall 1957-: raw material
shortages

Econ reorganization in 1957
Yearly plan targets cut in 1957 & 1958

3. BALLYHOO FOR SEVEN-YEAR PLAN

"ASTOUNDING" says K.
Quotes (p. 3 and 3 a. of notes)

4. SHAPE OF THE PLAN

Chart 1 ~~Overall growth - 10% approx.~~

Industrial sector - 8.7% annual growth in
output

Investment - next 7 yrs. almost equals previous
40.

Chart 2 Progress in Key Industrial Items

Chart 3 Comparative Industrial Growth (Red Star)

Chart 4 Comparative Industrial Growth

Chart 5 Agriculture - many goals probably impossible.
Consumer - slower improvement than past 7 yrs.

5. SUMMARY EVALUATION

K. firmly in saddle
Industry targets feasible; agriculture not;
consumer still behind door by US standards.

Chart 6 Nevertheless, growth impressive.

Propaganda implications.

How do they do it?

Implications for US budget

3 BALLY HOO

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The big propaganda pitch

Khrushchev's themes - great progress is being made in catching up with the leading Western countries and ~~that~~ the achievements of Soviet industry are of great benefit to the Soviet populace. The main task of the "new period which the USSR is entering, the period of large-scale building of Communist society," is as follows: "creation of the material-technical basis of communism, the further strengthening of the economic and defense might of the USSR, and simultaneously the fuller satisfaction of the growing material and spiritual requirements of the Soviet people."

- Khrushchev expresses confidence that by 1970, five years beyond the end of the Seven Year Plan, "...and possibly even earlier, the Soviet Union will gain first place in the world both as regards the absolute output and the output of goods per capita, which will insure for the population the highest living standards in the world. That will be the world historic victory of socialism in its peaceful competition with capitalism."

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On science the report states: *(in part)*

- "Soviet scientists are successfully advancing along the road toward utilizing atomic energy for peaceful purposes. The production of inter-continental ballistic missiles has been successfully set up. With the launching of the first Soviet artificial earth satellite a new era in the history of mankind has been taken. Preparations are being made for a flight to celestial bodies. A series of high-speed electronic computers has been created."

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General Shape of the Seven-Year Plan

Annual Rates of Growth: 8.7% for Industry
7.9% for Agriculture

Comment

Sharp contrast between ballyhoo and hard figures contained in theses.

Overall growth rates to be lower in coming seven years than in past seven years. Projected growth rate will not permit USSR to catch US either in overall output or output of goods per capita by 1970.

However, Emphasis on ~~an~~ rapid industrial growth continues.

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The Industrial side of the plan has scheduled lower growth rates than

have been achieved recently, and this ~~is~~ appears feasible (Chart 1). *Source: Planned Growth Rates*

CHART 1

- In total industrial output an average annual rate of increase of 8.7% is planned as compared with ~~the~~ ^{an} average rate of 11.5% achieved in past 7 years
- Soviet leaders may push for overfulfillment of these targets--they have overfulfilled last year and are doing so again this year.
- Our current estimate has been that ~~the~~ industrial production will grow over the seven year period at an average annual rate of 8 - 10 %.
- With lots of Party push and ~~population~~ ^{consumers} sacrifice the USSR may come so close to previous growth rates that the whole ~~business~~ ^{question} of whether or not they are slowing down ~~is~~ is much less important than how fast they are catching up.

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Investment over the next seven years will almost equal the total amount invested from 1917 until now

- Total capital investment will approximate 2.5 trillion rubles (\$385 billion if converted at an investment rate of 6.5 to 1, based on 1956 rubles and dollars)
- (Of this, about 2 trillion is state capital investment, 350 billion is accounted by collective farm investment, and the remainder is other forms of investment outside the plan)
- The proposed rate of investment growth averages 8% per year (10% over last 7 years)
- Investment in construction will be at a rate lower than 8%; investment in plant equipment will be at a rate higher than 8%
- The share of industry in investment will rise from 54 to 56%
- Share ~~will~~ increase for ferrous metallurgy, chemicals, oil and gas
- Overall investment in housing and agriculture will remain at about the same high share as in recent years (~~past three~~)

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This next chart (Chart) shows how fast they plan to catch up in key industrial

Chart
items

- No attempt has been made to ^{in this chart} ~~predict~~ ^{depict} US growth, which ^{source} will make it harder for the Russians to catch up
- Steel output will go up at an average annual rate of about 5 million tons, compared with an average of 3.4 million tons over the past seven years.
- The USSR hopes to raise the production level over the next seven years about the same ^{absolute} amount as the US raised its capacity (though not production) level over the past seven years, i.e. about 34 million tons.
- At any rate, by 1965 the USSR hopes to practically close the gap in steel production and, for example, cotton cloth production.
- In coal production they are already ahead, and expect to pass us in

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The chemical industry has been lagging, badly, by US standards, and the Russians last spring said they were earnest about renovating this industry

- In their new plan investment in chemicals is to double that of the past 7 years
- Heavy emphasis is on artificial fertilizers and synthetic materials.
- Fertilizer production is to triple, going well above current US levels (estimated 2.5 times)
- Fulfillment of the chemical plans depends largely on success in developing the petrochemical industry.
- Here the USSR has traditionally lagged and achievement of the target seems improbable unless assistance from the west is obtained.

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Soviet propaganda will rivet attention on the many comparisons

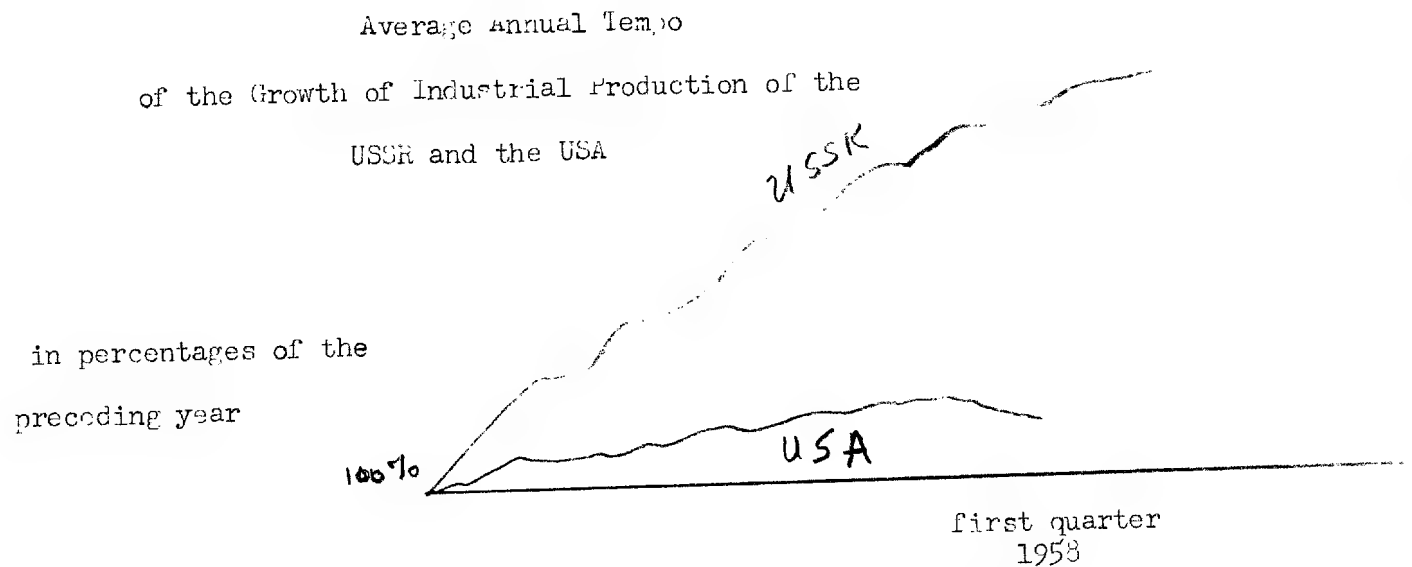
just noted on this chart, which everyone can grasp.

- Uncommitted nations will be swayed.
- Here is how the Soviet's present the picture of their fast growth (Chart _)
- (Chart from "Red Star")
- If all goes well for the Russians, by 1965 or 1970 people in most walks of life in uncommitted countries will consider that the Russians have indeed caught up, industrially, in a most realistic sense.
- Our calculations that the Russians are still short of the goal of being first in the world in total industrial production may then be rather academic, even though true

Chart 3

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Red Star Cartoon:



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As to who will be first when, in total industrial output, this next chart

(Chart 4) shows two views:

- As Khrushchev sees it Russia will overhaul us just before 1970

(The USSR will grow at the 8.7% rate or faster, the US will grow at about 2%--our rate between 1953-1957, and the US is currently producing only twice as much as the USSR.) ((Catching up in per capita terms *as the quantity* assumes ~~the~~ faster than 8.7% growth rate))

- An alternate view shows that by 1970 the Soviet economy may be only some 60% of ours and that they will not catch up until about 1978.

(This view corrects a Khrushchev distortion, for the US is currently producing closer to $2\frac{1}{2}$ times more than is the USSR. It also uses a different US growth rate of 4%, which covers a longer period,

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1948-1956, and may be more representative. It accepts Soviet 8.7% rate thru '70)

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The seven year agricultural targets can't be met, by and large, under present programs.

- The vital grain and meat goals can't be met in spite of recent big programs/ "New Lands" & "Corn"
- where we and the Russians are currently, and where they would like to be by 1965 is shown on this chart (Chart 5)
- Goals are, for some key items, restatements of the impossible 1960 goals
- Grain goal and cotton goal are direct repeats of 1960 goals
- In some places, the chart shows, they would like to be way ahead of us (In potatoes, for instance, which they must fall back on for lack of a good variety of vegetables. In sugar--we import much of our sugar)
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Improvement will be made and the populace will have discernable increase in protein-rich food

- They are pouring in twice as much investment in agriculture over the next seven years as they did over the past seven (and the above-mentioned new lands and corn programs, as well as others, were in the past 7 years)
- Mineral fertilizer production is to triple (see chart ⁵ again)
- Such facts, plus Khrushchev's statement that highly fertile lands in traditional western areas ^{of plentiful precipitation} must be better utilized suggests that a new program may be launched in this geographical direction
- A Central Committee meeting on agriculture is scheduled for mid-December
- Among other things this meeting may deal with organizational matters--the

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App't. Collective Farmers Congress 44 since 1935 is scheduled for early 1959

(Possible topics: inter-collective cooperation; increasing similarities with state farms
ms)

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The plan provides for the consumer ~~gradually~~

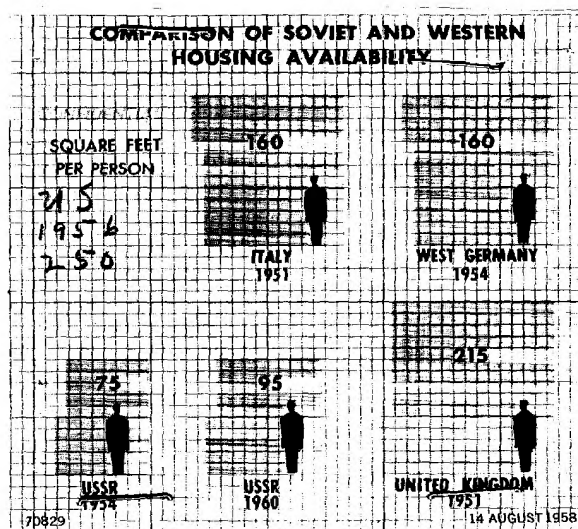
- Output of consumer goods as a whole will remain far below western levels and will grow more slowly--7.5% annually--than during the past seven years--9.7%.
- Some increase in consumption of high-protein foods will be possible
- Output of textiles, clothing, and footwear will fall below rates of last 7 years
- Output of most durable consumer goods at present is so low that 1965 production will still be far below that of the US
- Brightest outlook is in housing, which is to nearly double the volume produced over the past seven years.
- The housing aim is to provide a minimum of 100 square feet of living space per person by 1970, which would still be below Western European

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with Western Countries

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Employees

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The labor force of ^{workers and employees} (which category excludes collective farmers) is to grow by 11.5 million, up to 66 million.

- Population growth provides 7 million of this
 - Changes in the educational system (which promises to be one of the most lively undertakings in recent Soviet history) may provide an additional 1 million workers and perhaps more
 - This leaves roughly 3 million ^{additional} workers to be transferred from agriculture
 - Productivity in agriculture is ^{planned} to rise, making this shift feasible
 - The regime may also reduce further the size of the armed forces.
 - The regime is moving along with its program to lower the work week by 1960 to 41 hours. In later years underground and hazardous occupations will go onto 30-35 hour work-weeks, and Soviet propaganda ~~says~~ says that the worlds shortest work week will then be found in the USSR
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EVALUATION

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 Khrushchev's hold on political power seems as firm as ever

- A one-day session to approve the theses indicates no lengthy wrangling
- His big programs, such as agriculture, are reaffirmed
- Weakened leadership might have been reflected in a better break for the consumer than has in fact occurred

Industrial Targets Feasible; Agricultural goals probably not;
 Consumers still being short-changed by Western standards.
 Nonetheless, growth impressive.
How do they do it? - Simple, "lonely formula": "save your money and you'll get rich."

Part 6
 Let's tell story. Privately suggests problem for US - budgetarily (defense)
 and propaganda-wise.
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NOTES ACCOMPANYING G.N.P. CHART

- billions 1957 \$

	U.S. 1957	USSR 1957	USSR 1965
Consumption	301	95	141
Investment	83	56	112
Defense	41	40	63 (59 in 1963)
GNP (incl. Admin)	435	182	278